

28 March 2025

Mr Taimus Werner-Gibbings MLA  
Chair  
Standing Committee on Economics, Industry and Recreation  
ACT Legislative Assembly  
GPO Box 1020  
Canberra ACT 2601

via email: [LACommitteeEconomics@parliament.act.gov.au](mailto:LACommitteeEconomics@parliament.act.gov.au)

Dear Mr Werner-Gibbings

### **Inquiry into Insurance Costs in the ACT**

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to provide comments to the *Inquiry into Insurance Costs in the ACT* by the Australian Capital Territory Legislative Assembly Standing Committee on Economics, Industry and Recreation.

Access to adequate insurance cover at commercially viable terms is a significant challenge for many of Australia's small businesses. While households who – for many reasons – might choose to be either uninsured or underinsured and exercise different options about the level and nature of the risk protection in their policies, small business do not have this luxury.

A small business must have appropriate insurance cover for areas such as public liability and workers compensation. If they do not, they cannot engage in trade and commerce.

The ASBFEO's *Small Business Natural Disaster Preparedness and Resilience Inquiry Report* found that:

- many businesses cannot secure appropriate insurance at an affordable price
- some businesses are operating uninsured, or significantly underinsured, with excesses that would preclude any claim being made
- insurers are uninterested in the steps individual small and family businesses take to mitigate risks, or are dismissive of them.<sup>1</sup>

Further, Business NSW's 2024 Business Conditions Survey found from 825 small & medium enterprises surveyed that one in four businesses experienced premium increases of more than 30 per cent, with one in five businesses reporting being under insured.<sup>2</sup>

Consequently, we ask the Committee to consider the following recommendations.

**Recommendation 1: The Committee should urge the ACT Government to undertake further research to understand the drivers of increasing insurance premiums, across all commercial lines including workers compensation.**

While it is our experience that we have heard of the increasing cost burden of insurance for many small businesses across Australia, we are also aware that some sectors are more adversely

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<sup>1</sup>Australian Small Business and Family Enterprise Ombudsman, *Small Business Natural Disaster Preparedness and Resilience Inquiry Report*, 10 November 2022

<sup>2</sup> Business NSW, *NSW Business Conditions – A delicate Environment*, Business NSW, August 2024, pp 16-17



affected than others. In January 2023, we found that public liability insurance has become unaffordable or simply unavailable for some operators in the amusement, leisure and recreation industry. In addition, professional service firms are facing challenges in acquiring affordable professional indemnity insurance.<sup>3</sup>

Further, a September 2024 survey by the Canberra Business Chamber found that almost 50 per cent of respondents reported insurance premiums had risen by more than 20 per cent over the last two years and stated that the cost of doing business was the biggest issue they were facing. In particular, the cost of workers' compensation was seen as unmanageable by many Canberra respondents.<sup>4</sup>

Safe Work Australia reports that in 2022 the ACT recorded the second highest standardised average premium rate in Australia for workers compensation.<sup>5</sup>

The Australian Prudential Regulation Authority (APRA) 2023 National Claims and Policy Database Analysis report found that these premium increases appear to be replicated nationally, as public and product liability insurance products in Australia have grown 40 per cent in response to worsening claims experience since 2015.<sup>6</sup> APRA also found that as prices have increased, businesses have taken on more risk to reduce or maintain premium costs.

We encourage the Committee to urge the ACT Government to undertake further research on factors contributing to the ongoing increases to insurance premiums, and to identify pathways to reduce premiums including working with the insurance industry and partnering with other state, territory and federal government bodies.

**Recommendation 2: The Committee should encourage the ACT Government to promote industry-led solutions and urge the insurance sector to map out solutions to help small businesses.**

The ACT Government should encourage the insurers and insurance brokers to assist ACT small business develop solutions that mitigate their risks and put downward pressure on premiums. The ASBFEO considers that insurers should recognise potential savings from risk-mitigation steps undertaken by their small business customers and share these benefits with them.

Providing a clearer articulation of what policies cover, what is required by small businesses, and how they can work with the insurance industry to address concerns, can give small businesses the chance to stay in business.

An example of how effective engagement can help industries manage their risk can be seen by the actions of the Caravan Industry Association of Australia. It undertook stakeholder engagement and collaboration to examine the insurance landscape in the caravan park industry and present a 5-point strategy to address its current challenges related to affordability and accessibility.

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<sup>3</sup> Australian Small Business and Family Enterprise Ombudsman (ASBFEO), Additional Insights Supporting a Discretionary Mutual Fund for the Amusement, Leisure and Recreation Industry, ASBFEO, 20 January 2023, p 113

<sup>4</sup> Canberra Business Chamber (CBC), *Business Beat to September 2024*, CBC, October 2024, pp. 1 - 2

<sup>5</sup> Safe Work Australia (SWA), *Comparative Performance Monitoring Report 25 – Workers Compensation Premiums*, SWA, December 2023, p. 7

<sup>6</sup> Australian Prudential Regulation Authority (APRA), *Review of claims trends and affordability of public liability and professional indemnity insurance in Australia*, APRA, May 2023, p 6



This approach used data-driven risk-mitigation measures and analysis to understand the industry's risk profile to answer insurance challenges in the sector.<sup>7</sup>

Natural disasters can present systemic risks to society, affecting not just individuals and communities, but also to the economy and infrastructure. In the ACT, storms, flash flooding and bushfires are the main climatic hazards that are likely to contribute to higher premiums.

We have heard from a tourist park in the ACT that has been unable to obtain adequate insurance following the increase in premiums arising from the risk of bushfires. Despite putting in place risk mitigation procedures and firefighting infrastructure, insurance companies are unwilling to provide cover at an affordable rate. While there are many government entities in the ACT that would be at similar risk, they have the benefit of access to government insurance. The ACT Government can help with risk mitigation through accurate data collection and strengthening essential systems to withstand environmental shocks, reduce recovery costs, and promote sustainability.

The Australian Climate Service (ACS) provides national climate science information to help manage climate and disaster risks. The 2024 Independent Review of the ACS raised concerns that the scope, methodology and format of state climate information and tools were not necessarily comparable with each other.<sup>8</sup> A key priority of the ACS is to collaborate with state governments and private entities to create a shared approach to assessing climate risk. The ACT Government should ensure that their policies for data collection align with Australian Government practices to ensure data standardisation and provide access to the information needed to prepare for extreme weather events, as well as respond and recover.

The Australian Disaster Resilience Knowledge Hub (run by the Australian Institute for Disaster Resilience) provides a national, open-source platform to support and inform policy and decision making in disaster resilience. Policies for how risk mitigation actions should be undertaken by small business customers, and how their benefits are recognised and shared, should be clearly communicated to small business customers as part of the information that insurance providers are required to share under the General Insurance Code of Practice.

While the Australian Government has committed to investigating insurance affordability for retail clients, by establishing the Hazard Insurance Partnership and the Insurance Affordability and Natural Hazards Risk Reduction, we consider there is a critical need for governments across the Commonwealth to work with the insurance sector to address the unaffordability of insurance for small businesses as a matter of urgency.

**Recommendation 3: The Committee should encourage the ACT Government to explore the use and extension of its own insurance purchasing arrangements to improve the availability and accessibility of necessary insurances for small businesses.**

It is not uncommon for local government to leverage its own insurance requirements or expertise and buying power to assist local small businesses to address their own public liability insurance requirements.

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<sup>7</sup> Caravan Industry Association of Australia, *Industry Roadmap - Insuring Caravan Parks, A Strategic Blueprint to Improve Industry Wide Insurance Affordability and Accessibility*, 2023, accessed 4 April 2024.

<sup>8</sup> Okane, M, Quinlivan, D & Reichelt, R, *Independent Review of the Australian Climate Service*, Department of Climate Change, Energy, the Environment and Water, Australian Government, 30 April 2024, p 21



This can include facilitating affordable access to required insurance for approved private and community uses of streetscape and open spaces under municipal control, recognising that the governing land-owner/manager risks claims exposure if remedies for harm, loss or injury are not available through the land user.

In these cases, local governments have aggregated the needs of multiple uses, incorporated use cover within or adjacent to its own insurance requirements and then sought a proportionate financial contribution to the cost of the 'use' from the approved user.

This approach has been deployed to support alfresco dining and street product display initiatives utilising roadside pavements, carparks and open spaces, and with 'activation' initiatives that see small business led activities, performances and fitness and wellbeing coaching undertaken in public places.

Similarly, difficulties accessing affordable public liability insurance has hampered festival, music and creative arts endeavours. Recognising Arts Victoria's role as a funding and enablement body, artists, event organisers and performance companies that were able to access grants through Victoria's peak arts funding body were provided additional support to obtain the necessary public liability insurance coverage through the State Government insurance agency.

The earlier example of a local tourist park being unable to obtain asset protection insurance to the full replacement value of the improvements was largely as a consequence of the 'bush capital' status of the Canberra and the sites proximity to protected bushland. This was despite utilising specialist brokers in the search for affordable appropriate cover. There are a number of public institutions in the same area that benefit from access to the ACT Insurance Authority.

The Committee might consider how small businesses, operating in areas adjacent to protected reserves and bushland that are assessed as a high-fire risk that is a significant impediment to accessing affordable appropriate asset protection cover.

This could form part of a 'good government neighbour' commitment to these valued local business that may open access to the ACT Insurance Authority and support with risk mitigation and management.

**Recommendation 4: The Committee should encourage the ACT Government to explore whether regulatory settings support the use of discretionary mutual funds by small businesses as a viable alternative to public liability insurance.**

Support for a discretionary mutual fund may also be an area for the ACT Government to explore further, as DMFs offer insurance like-protection where members make financial contributions to a fund which can then decide whether a claim should be paid out. A DMF does not issue shares, and therefore has no requirement to distribute returns to shareholders, allowing it to operate at a lower profit margin.

Crucially, a discretionary mutual fund would be able to impose conditions of entry standards for members and enforce strong risk-management culture and procedures. DMFs are generally operated by directors with strong industry experience and knowledge of the practical options to mitigate risk and can work with industry bodies to facilitate guidance to members.



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It is important to note that discretionary mutual funds are indeed discretionary, and so do not operate as a direct alternative to mandatory insurance claims. If the ACT Government chooses to explore this path, it should consider whether regulatory settings are appropriate to support a DMF.

If you require any further information on any of the suggestions outlined in this submission, please do not hesitate to contact us on [advocacy@asbfeo.gov.au](mailto:advocacy@asbfeo.gov.au).

Yours sincerely

**The Hon Bruce Billson**

Australian Small Business and Family Enterprise Ombudsman